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**HEADLINE:** Lehman Units Argue Bankruptcy --- U.S. Trustees Seek Global Framework;  
U.K. Administrators Prefer Local Rules

**BYLINE:** By Mike Spector and Jeffrey McCracken

**BODY:**

America's largest bankruptcy is causing an international standoff between Lehman Brothers Holdings Inc.'s U.S. and U.K. operations.

Administrators for Lehman's U.S. estate plan to ask a federal judge Tuesday to approve an international framework for coordinating bankruptcy proceedings among subsidiaries spread across the globe. But administrators representing Lehman's main European arm in the U.K. are balking at the agreement, saying they are governed by local rules and the interests of their own creditors.

The stalemate is significant because Lehman's U.K. estate held about a third of the firm's roughly \$630 billion in assets before it filed for bankruptcy. The London-based estate also holds data essential to insolvency proceedings among other smaller European subsidiaries.

When a large company with global operations seeks Chapter 11 protection, it can spawn numerous legal proceedings with different rules in other countries. Since the U.S.'s fourth-largest investment bank filed for Chapter 11 in September, nearly 80 Lehman subsidiaries world-wide have folded in more than a dozen countries and legal jurisdictions. On the horizon: a possible bankruptcy filing by General Motors Corp., the world's largest auto maker with operations in some 140 countries.

Lehman's U.S. team wants to work with other estates to hold and manage assets with a goal of recovering more for creditors, rather than watching other estates sell assets at fire-sale prices. The international agreement would also discourage subsidiaries from lengthy reviews of accounting records when settling debts between estates.

Supporters of the international protocol fear Lehman could be mired in bankruptcy for years without some agreements to speed administration of certain claims and other matters.

In the Netherlands, a Lehman subsidiary issued some 4,000 notes that were mainly drawn up by Lehman officials in the U.K., said Rutger Schimmelpenninck, a court-appointed bankruptcy trustee for Lehman's Dutch subsidiary and partner at Dutch law firm Houthoff Buruma. Mr. Schimmelpenninck hasn't yet received all the information he needs from the U.K. estate to help him value those notes.

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In addition, some subsidiaries failed well after Lehman sought bankruptcy protection in New York, raising questions about the proper accounting dates to use when valuing certain claims and other contracts, he said.

Lehman's U.S. administrators haven't pointed to any specific actions taken by the U.K. estate that would undermine other bankruptcy proceedings. But the international protocol document outlines areas where Lehman's U.S. restructuring team hopes to align estates' administration.

Administrators in Hong Kong, Singapore, Germany, Luxembourg and Australia have signed on to the protocol. The pact won't be legally enforceable, as administrators are bound by rules in their own jurisdictions. Still, U.S. Bankruptcy Judge James Peck has said international cooperation should be "pursued with vigor and in good faith" to smooth Lehman's trip through Chapter 11.

"There need to be international standards when dealing with a global company that collapses," said Bryan Marsal, Lehman's chief restructuring officer and co-CEO of turnaround firm Alvarez & Marsal LLC. "Otherwise, every country acts like 'Every man for themselves.'"

PricewaterhouseCoopers, which administers Lehman's U.K. estate, said it has made progress reaching other agreements with subsidiaries to coordinate restructurings and won't submit to multilateral negotiations. A global protocol is "unnecessary, insufficiently tailored and unacceptably burdensome" for Lehman's U.K. estate and its creditors, said Tony Lomas, a PricewaterhouseCoopers partner and administrator of the London estate.

International protocols have emerged in bankruptcy cases before, but never on such a massive scale. Lehman's efforts to persuade estates to submit to the framework underscore the complexities wrought by a new wave of bankruptcies flowing from the global financial crisis.

"With the increased internationalization of bankruptcy, it's more and more important for the different jurisdictions to come to an informal agreement," said Edward Altman, a New York University business professor who focuses on bankruptcies. "There is no official code that brings them together."

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